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**PUBLIC SERVICES**  
A STATES OF GUERNSEY GOVERNMENT DEPARTMENT

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25 August 2010

Dear Deputy McNulty Bauer

**GREEN PAPER – COMPETITION, LICENSING AND REGULATION IN THE CAR AND PASSENGER FERRY MARKET**

The Board of the Public Services Department has taken the opportunity to review the consultation document regarding sea links to the Channel Islands. Rather than complete the associated questionnaire, the Board has decided to address the questions asked by way of this letter, as it wishes to raise certain points that go beyond the issues covered by the questionnaire.

The Board recognises the differences in regulation which exist between the two islands. Guernsey is effectively an open port with the regulation largely restricted to safety and management considerations and practical port constraints which are managed by the Harbour Master. In Jersey there is a greater measure of control available through management of ramp usage.

At present the Island is well served by existing operators and while the Board recognises the importance of ensuring that the UK to Channel Islands route remains viable, possibly through a single main operator, it does not necessarily believe the same has to be applied in respect of the routes to France. Consequently, if some sort of licensing regime were to be retained/introduced its preference would be that this should apply only to the UK routes. It does not consider that competition would be viable in the long term on such routes and therefore would favour a sole operator, rather than the option for competition.

This is not to say, however, that the Board necessarily supports regulation or licensing. From this Department's perspective, any or all of the suggestions made imply the need or desire to dovetail with the Jersey ramp-permit legislation. The value of this approach is questionable. Guernsey has traditionally operated an 'open ports' policy, particularly in respect of international voyages where free and open competition is encouraged under international law. In this regard the southern route to France is an international voyage.

The Guernsey Harbour Ordinance 1988 is operational and safety driven. Matters of political and economic regulation, including competition legislation, are hardly compatible in this

context and should not be confused with or be permitted to cloud tactical operational decisions.

On the other hand, the Jersey Ramp Permit system, which translates into a 'Direction to the Harbour Master' places substantive obligations on the incumbent Harbour Master (See page 5 of the consultation document) *"to maintain and develop year round, long term, reliable and robust passenger car ferry services. These services (which must include a reasonable winter service) should be of sufficient quantity and frequency to meet the travel needs of the Island residents, the business community and tourists."*

Such matters are entirely strategic and commercial in nature. These should be addressed and managed as such. Indeed, it would be wrong for commercial matters to be permitted to interfere in any way whatsoever with safety in operation. For this reason, the Board is not convinced that a licensing regime is desirable in Guernsey and would prefer to maintain the status quo.

Turning now to fares, historically, the quantity of passenger and vehicular traffic on the route between the Channel Islands and the UK combined with the obligation on the service provider to provide an enhanced year round level of service often with vessels operating well below capacity, has led to the price structure that we see today.

The Public Services Department has no strong views to express on fares, as at present it considers these are set on a commercial basis having regard to market value where customers can opt to move between air or sea transport. It would not be unreasonable for the current levels of service between the Islands and the UK, in particular, to be reviewed to ensure they meet the immediate customer requirements, safeguarding transport requirements of the Islands but to do so in a manner that does not unnecessarily inflate prices. In this context the Board recognises the merits of safeguarding in respect of pricing and the route timetables so that the Island is appropriately served. Thus far this has worked well through a long standing relationship with Condor and its owners and also with other operators who have provided services. On balance, therefore, the Board considers that fares are justified by the level of service provided and would not be prepared to accept lower service levels if it led to lower fares.

If licensing was introduced for Guernsey the Department would want to see it administered with a light touch and at minimal cost as is currently the case in Jersey; it does not believe that costs of £250,000 or more as suggested by the JCRA would be proportionate to the market.

In considering the consultation paper there was a slight question over the quality of the output it will deliver and how this will impact on the decision making process. In particular, caution needs to be applied in respect of the differences between the two Islands. While Condor is the only carrier from St. Malo to Guernsey, Manche Iles Express also ferries passengers to and from France, particularly to Jersey from a greater number of ports with a higher frequency than Condor (Granville, Dielette, Carteret). Corsaire also operates a passenger service between St. Malo and St. Helier. Therefore while Guernsey residents have limited choice in respect to travel to France, Jersey residents have a wide range of options, certainly in respect of foot passengers.

Another reservation is that the consultation process focuses almost entirely on Condor's business and yet its stated purpose is far wider. As an example the stated list of consultees includes Condor but makes no mention of the other service providers. This could lead to the incorrect inference that the States of Jersey and Guernsey are acting to prevent further entry to the market. The document considers, without mentioning it directly in any detail, service level standards and considers past Condor customer feedback, but comment on other operator's feedback is not mentioned. Similarly the statistics provide details of total passenger numbers carried and country of destination but it is not demonstrated how these are distributed amongst the various operators or indeed by port of origin or destination.

In summary, matters of political and economic regulation, including competition legislation should not be confused with or be permitted to cloud tactical operational decisions. The need to safeguard the key ferry links to the UK is recognized and supported. The Department is, however, not entirely convinced that the suggested use of independent licences and regulations is the right way forward.

Yours sincerely



B M Flouquet  
Minister

Cc Harbour Master